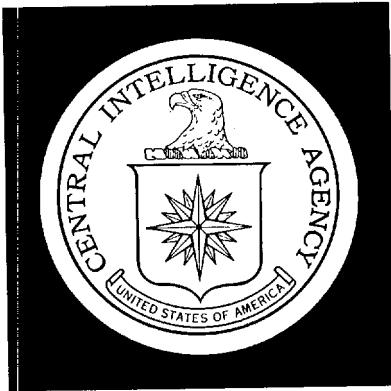


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DIA and DOS review(s) completed.

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CONTENTS

ISRAEL-EGYPT: The situation along the Suez Canal is quiet. (Page 1)

UN - MIDDLE EAST: The Security Council is expected to reconvene early this week to consider Israeli actions in Jerusalem. (Page 2)

EGYPT: The new cabinet should not bring about radical policy change. (Page 4)

SOUTH VIETNAM: Agitation is growing, but the government seems capable of controlling demonstrations. (Page 5)

INDONESIA-CHINA: Indonesia is searching for a way to establish direct communications with Peking. (Page 7)

25X1

INDIA: Prime Minister Gandhi's dominance over her Ruling Congress Party is growing. (Page 9)

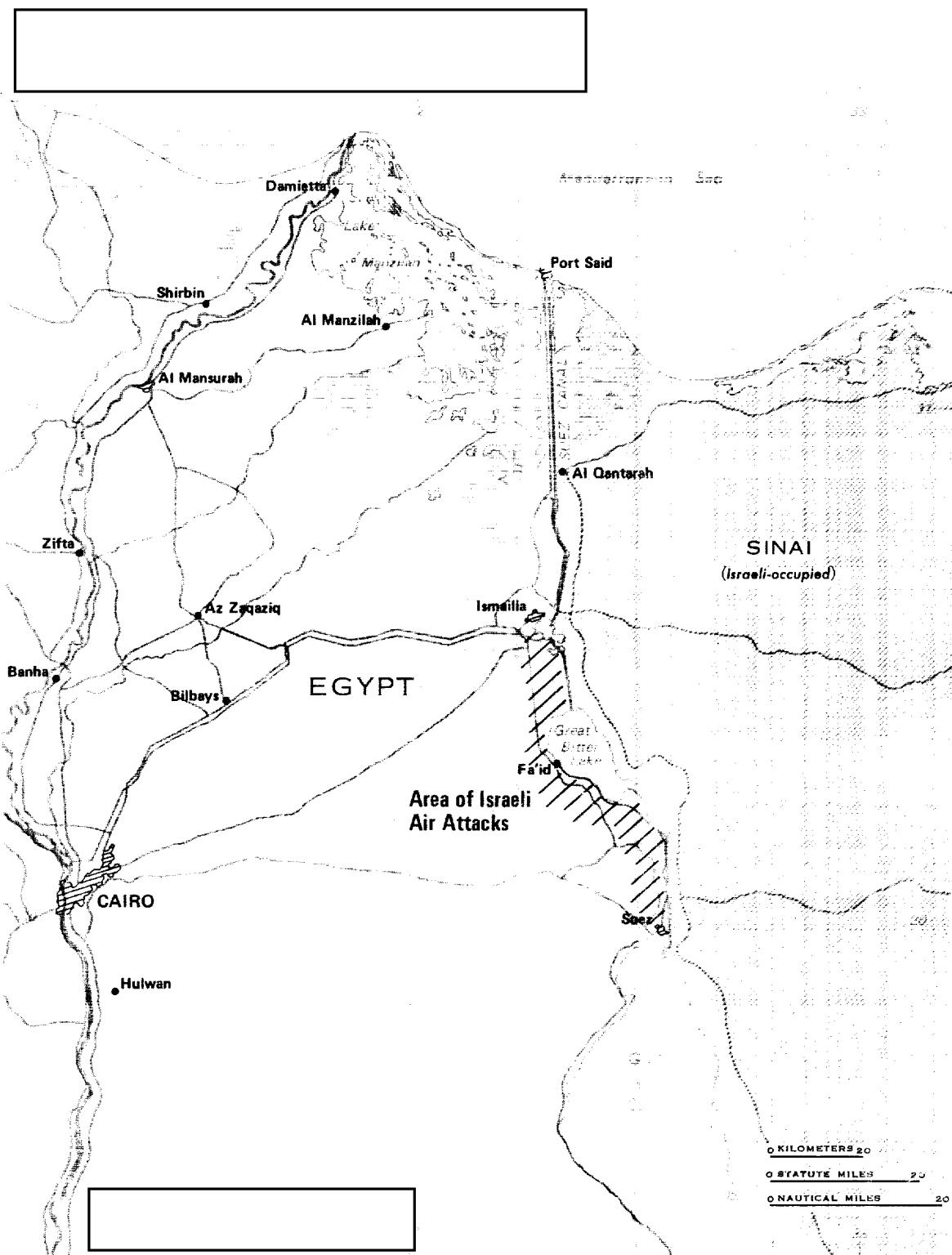
CAMBODIA: Fuel tanks attacked (Page 10)

BRAZIL: Death of guerrilla leader (Page 10)

ARGENTINA: Elections scheduled (Page 11)

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~~ISRAEL-EGYPT~~: The situation along the Suez Canal is quiet in the wake of Israeli air strikes at Egyptian SAM sites on Saturday.

The Israelis have confirmed to US officials in Tel Aviv that Israel initiated Saturday's action in retaliation for the shooting down of the Israeli C-97 on Friday. Israeli aircraft first flew along the southern half of the canal to induce radar emissions from seven preselected SAM sites located between Ismailia and Suez city. Then eight Phantoms launched a total of 12 Shrike missiles at the targets from the Israeli side of the canal. Apparently none of the Shrikes scored a hit; all seven sites remained operational, and none apparently required repairs. Six or more Egyptian missiles were launched at the Israeli planes, but the Israelis were out of range and none came close.

Both sides appear willing to treat the incidents as a closed chapter. The Israelis have refrained from publicly describing their action as retaliation. The Egyptians have said that they suffered no losses as a result of the Israeli action, which indicates that they may be satisfied to allow the Israeli strike to go unanswered.

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20 Sep 71

Central Intelligence Bulletin

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UN - MIDDLE EAST: The Security Council is expected to reconvene early this week to consider Israeli actions in Jerusalem, but intra-Arab agreement on a draft resolution is not yet in sight.

After the second day of Council debate, on Friday, the US Mission learned that the Arab group is reviewing two markedly differing texts. A Syrian draft would send a special Council mission to Jerusalem with instructions to report back within 15 days. It also cites the possible need to apply UN sanctions against Israel. The Soviets appear to be backing this approach, because in the past they have preferred that any mission be under the Council rather than the secretariat.

The Jordanians have discarded the text worked out with the US and have drafted a new one with Egypt and Yemen (Sana). This draft does not refer to UN sanctions and calls upon the Secretary General to report within 30 days on the situation in Jerusalem. It could well provoke a Western veto, but the Jordanians maintain it represents the "irreducible minimum" that could obtain Arab support. A critical problem for the Jordanians is the need to have a member of the Council introduce the resolution they have in mind. The only Arab state presently on the Council is Syria.

There has been no clarification of Egyptian President Sadat's statement on Thursday that he wanted the Council to meet at the foreign minister level to consider the entire Middle East imbroglio. Presumably he is willing to wait for at least a few more weeks before moving fully in that direction. The Arabs are planning a full-scale Middle East debate in the General Assembly commencing in mid-November. This strategy is based on the parliamentary situation in the Assembly--priority will probably be given the Chinese representation issue--and a willingness to hold off until the Organization of African Unity 7

(OAU) peace mission to Middle East capitals, scheduled for early November, has been completed. Last year wide African support aided the Arabs in rolling up a 57-16 majority in the Assembly for a contentious resolution strongly opposed by the US and Israel. The Israelis hope to convince the OAU mission to support a more balanced text this fall. [redacted]
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C EGYPT: The new cabinet appointed yesterday portends no radical shift in the formulation of foreign or domestic policy.

The retention of Prime Minister Fawzi, the ministers of foreign affairs, war, and interior, and other cabinet members in politically sensitive posts emphasizes continuity with the government that was dissolved on 11 September. A number of ministries were abolished and two new ones created, in keeping with the government reorganization pledged by President Sadat in his address to the nation last Thursday.

One appointment which has attracted the attention of political observers in Cairo is that of Muhammad Ghalib, who has served during the last ten years as ambassador to Moscow, as minister of state for foreign affairs. The authoritative Al-Ahram newspaper reported yesterday that Ghalib would have "special responsibility" in his ministerial post for overseeing Soviet-Egyptian relations.

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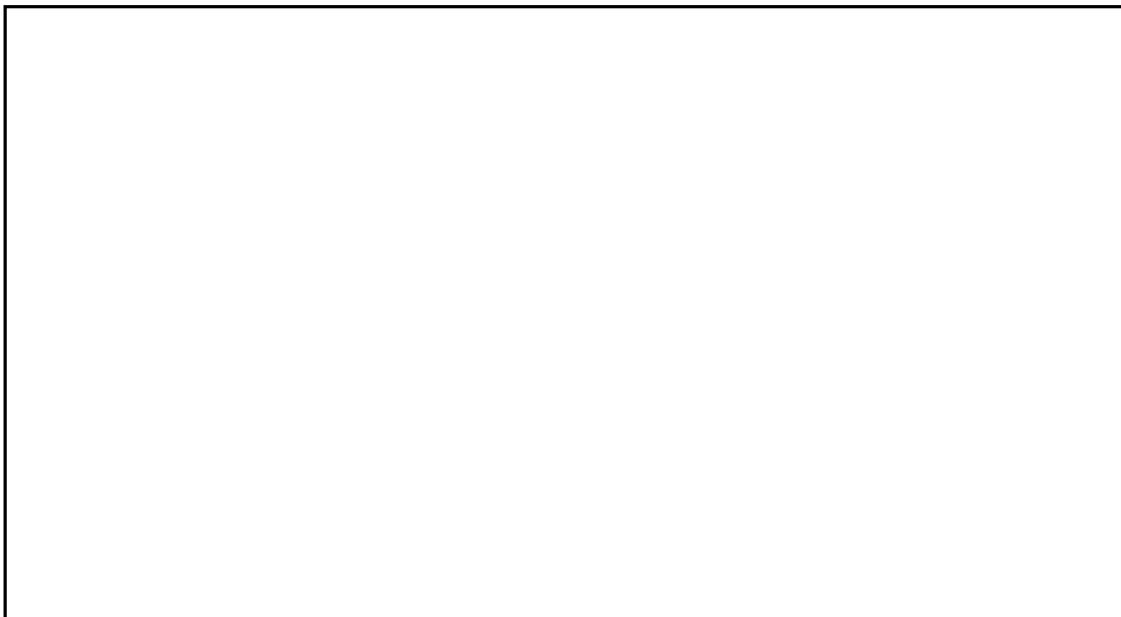
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SOUTH VIETNAM: Agitation continues to grow, but the government still seems capable of controlling protest demonstrations.

The antigovernment demonstrations in Saigon over the weekend were the most violent in more than a year. They were conducted principally by small groups of radical students and were broken up by forceful police action.

The protests followed several weeks of scattered student disorders both in Saigon and in Hue. President Thieu's election policy has been the target of most of the agitation, but the students also are raising traditional grievances against the government, such as summer military training. Although most of the groups involved in the agitation remain small and divided, their leaders probably hope that by continuing their protest campaign they can persuade the government to accede to some of their demands. They also hope to improve their own positions within the student community.

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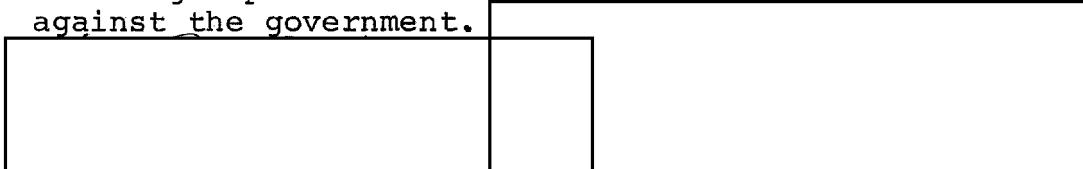


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LThe government appears to be well aware of the planned protest activities, and it probably hopes that strong police measures can break up and discourage demonstrations as effectively as they did during student protests last year. Nevertheless, heavy-handed tactics could create additional sympathy for the demonstrators. In addition, strong-arm measures such as those used over the weekend to break up a rally of opposition legislators--a more influential group than the students--could backfire against the government.

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INDONESIA-CHINA: Indonesia continues to search for a way to establish direct communications with Peking.

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Djakarta, which suspended relations with China in 1967, has been divided on the wisdom of resuming ties. The Foreign Department has favored resumption but the army, which is the dominant force in the government, has been opposed. This year, however, President Suharto and a highly influential group of generals have moved toward a foreign policy that would balance Western financial assistance by an improvement in relations with Communist countries, including China. President Nixon's announcement in July of his intended visit to Peking presumably has had the effect of further underscoring the need for a policy shift.

So far the government favors increased direct trade as the best way to begin normalization. The full resumption of relations probably will be a slow process.

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20 Sep 71

Central Intelligence Bulletin

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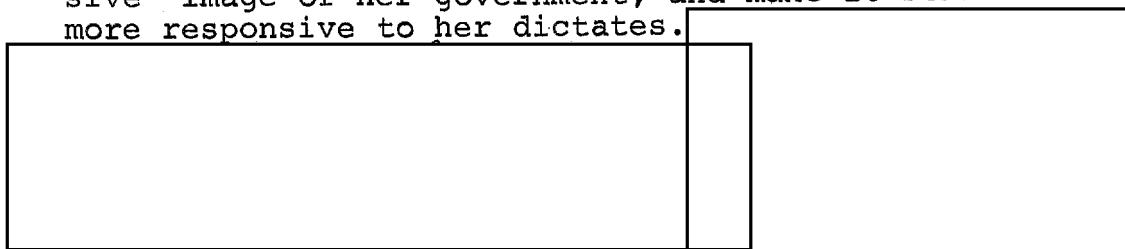
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INDIA: Prime Minister Gandhi's dominance over her Ruling Congress Party is becoming even more apparent.

On 11 September she forced a resignation agreement from Brahmananda Reddi, chief minister of the southern state of Andhra Pradesh and a man whose domination of Andhra politics had marked him as one of the most powerful figures in the Ruling Congress Party. With his resignation and the earlier maneuvered resignation of Mohan Lal Sukhadia, the long-time chief minister of the northern state of Rajasthan, Mrs. Gandhi has struck decisive blows against old-guard party leaders with personal bases of power. Few of the party "barons" responsible for placing her in office in 1966 remain in power positions today, and Mrs. Gandhi appears to have the strength to continue with a successful campaign to downgrade those who do.

The recent resignations will give her a free hand to ensure that candidates of her own choosing, and therefore beholden to her, are nominated by state party organizations to represent the Ruling Congress in state electoral contests scheduled to take place by March 1972. Moreover, with the success of her recent maneuvers, she may have gained the necessary strength to effect a smooth reorganization of her cabinet. The New Delhi rumor mill is already discussing the possibility of imminent cabinet changes. Such long-awaited changes could displace other independent-minded party barons, upgrade the "progressive" image of her government, and make it still more responsive to her dictates.

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CAMBODIA: An attack by Communist sappers early today on the Esso and Shell companies' fuel storage facilities on the northern outskirts of Phnom Penh apparently caused extensive damage. This raid marked the most significant enemy action in the capital area since the strike last January on the city's airfield. The storage tanks attacked are the only sizable petroleum facilities in central Cambodia. Although their destruction would cause a serious disruption to civilian consumers in the Phnom Penh area, military operations are not expected to be affected.

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BRAZIL: Government forces killed renegade army captain Carlos Lamarca on 17 September after tracking him through the interior of the state of Bahia for several weeks. The death of Lamarca, the most prominent and experienced Brazilian guerrilla leader, is a severe blow to the nation's revolutionary forces. Lamarca had broken with the urban terrorist movement last March following several setbacks and apparently was trying to establish a rural guerrilla force at the time of his death. His death is likely to have a demoralizing affect on the advocates of both urban and rural guerrilla warfare, although initially a desire for vengeance could result in an upsurge of urban operations.

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ARGENTINA: President Lanusse's announcement that national elections will be held on 25 March 1973 comes amid a notable increase in rumors of military dissension. There are also stirrings of labor discontent, and a "passive" general strike has been called for 29 September to protest the government's economic policies. Lanusse's election announcement was made nearly a month earlier than originally planned, probably in the hope of sidetracking his critics and gaining more time to devise measures to slow the high rate of inflation and to stimulate the sagging economy. The President reportedly is also in the process of moving his most loyal military supporters into key troop commands to frustrate any coup plotting.

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